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L I M I T E D

19 October 2023

Chair's Address to Annual General Meeting

The following is a transcript of the address by the Chair of Nick Scali Limited, Mr John Ingram, to the shareholders at today's 2023 Annual General Meeting

Good morning and welcome to the Nick Scali Limited 2023 Annual General Meeting.

I am pleased to report that Nick Scali Limited had another successful year, delivering record sales revenue and profit. The Company also completed the full operational integration and synergy savings realisation from the acquisition of Plush, acquired in November 2021.

A fully franked final dividend of 35 cents per share, paid in October, brings the total dividend for the 2023 financial year to 75 cents, fully franked. This represents a dividend payout ratio for the 2023 financial year of 60%.

Due to our positive operating cash flow model and effective working capital management, the Company has maintained its strong financial position and had cash-on-hand of \$89.3 million at the year end. In August 2023, after the year end, we repaid a further \$20 million of the Plush corporate acquisition debt. In November 2021 \$65 million of debt was used to help fund the Plush acquisition, of which \$37 million has been repaid within two years.

The Board will continue to assess strategic opportunities to grow the existing business and will consider investment opportunities which can deliver attractive returns for shareholders.

In January we added to our Board extensive accounting, finance, governance, and risk management experience with the appointment of Kathy Parsons. Kathy is familiar with Nick Scali as she was our audit partner for six years to 2018. Kathy retired from Ernst and Young in 2020. As this is the first Annual General Meeting since her appointment, Kathy is standing for election today.

Two other directors, Carole Molyneux and Bill Koeck retire by rotation in keeping with our constitution and are presented for re-election today.

The Board recognises that our people are key to our success, and I thank Mr Anthony Scali, our Managing Director for his commitment and leadership of the Company. I also thank the management team and all the employees, whose hard work and commitment have enabled the Company to deliver the results achieved in 2023.

I would also like to express my thanks to my fellow Directors for their guidance and contribution to the success of the Company.

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Finally, I would like to thank you, our shareholders, for your continued support.

I will now invite Mr Scali to address the meeting to give us an overview of the operations of the Company and an update on current trading.

Managing Director's Address to Annual General Meeting including Trading Update

The following is a transcript of the address by the Managing Director of Nick Scali Limited, Mr Anthony Scali, to the shareholders at today's Annual General Meeting

Thank you John, and good morning.

In FY23 sales revenue increased by 15.1% to \$507.7 million, underpinned by the efforts of our Logistics team who were able to manage the peaks of product inflows, enabling our lead times to customers to reduce as shipping delays eased. The Company records revenue on delivery of furniture to the customer. In addition, FY23 included Plush revenue for a full twelve months.

Group written sales orders for FY23 were \$437 million, representing a reduction of 7.8% on the prior year.

Gross margin increased by 250 basis points to 63.5%, driven by Plush which improved from 54.8% to 62.7%.

Operating expenses included twelve months of costs for Plush and additional logistics expenses of \$4 million to support peak delivery volumes. The additional logistics expenses are not expected to recur.

Net profit after tax for the year was a record \$101.1 million up 34.9% when compared to FY22.

The Company generated cash of \$89.8 million from operating activities, after payment of operating lease obligations and interest, an increase of 12.5% from the prior year.

Expenditure on property included \$7.8 million to purchase land on which a new Queensland distribution centre is currently being constructed to support the expansion of the store network in Queensland.

We have also finalised plans for new larger distribution centres in Western Australia and South Australia to be completed during FY25, again to support the ongoing increase in our store networks in these states.

We will continue our strategy of property ownership should the right opportunity present itself. The Company currently has eleven owned properties in Australia, with nine Nick Scali showrooms operating out of owned property.

During the year, two new Nick Scali showrooms were opened in Helensvale, Queensland and Shepparton, Victoria. One new Plush showroom was opened in Capalaba, Queensland.

Also in the year, seven Plush showrooms were refurbished with a significantly improved showroom look and feel and new visual merchandising guidelines to support consistent ranging of product across Plush showrooms. This programme of refurbishment of Plush showrooms is continuing in the current year.

Since acquiring Plush we have opened two new showrooms and closed three showrooms which did not meet the future criteria of the typical Plush showroom size.

The Company had a combined store network of 107 stores at the end of June 2023, and will continue to grow the store network for both brands.

In August we opened a new Plush store in Helensvale Queensland and in November we will be opening a new Nick Scali and a new Plush store in Payneham South Australia.

Based on demographic data and proximity to existing showrooms, we have identified target locations for Plush to operate a long-term store network of between 90 and 100 stores, and Nick Scali a store network of up to 86 stores. Timing of showroom roll out is dependent on-site availability and commercial terms.

In summary, the Company's performance is supported by long-term relationships with world leading suppliers and a disciplined focus on operating costs, together with strong cashflow generation and financial position. This provides the platform to execute long term strategies, including expanding and improving the store networks, for shareholder value creation.

I will now turn your attention to recent trading.

Group written sales orders for the first quarter to 30th September are down 5.4% compared to the same period last year. On a like for like basis group written sales orders were down 6.7%.

While store traffic was down 10 to 15% in the first quarter, store conversion rates improved driven by our better value product offer for both brands.

Final net profit after tax for the first half will depend on actual deliveries achieved before the end of December. Based on current delivery levels we expect net profit after tax for the first half of FY24 to be in the range of \$40 to \$42 million.

January is a key trading month for the second half of our business, and I look forward to providing the next trading update to shareholders in February.

Finally, I would like to take this opportunity to thank all my colleagues for their hard work and contribution to the success of the company. Thank you, I'll now hand back to John.